
Floodplain Management *Today*



NEBRASKA DEPARTMENT OF NATURAL RESOURCES FLOODPLAIN SECTION

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Flood Insurance Reform Act of 2012

By Bill Jones, CFM

On July 6, 2012, Congress passed the Biggert-Waters Flood Insurance Reform Act of 2012. The primary purpose of the Act was to extend the authority of the National Flood Insurance Program (NFIP) for five years, until September 30, 2017. The financial security of the NFIP along with an effort to implement actuarially based flood insurance

rates for all at-risk structures was also a prominent purpose for the legislation. The NFIP, as originally conceived, was to be a self-sustaining program that paid for claims with policy premiums. It included a provision to "borrow" from the U.S. Treasury if losses exceeded available funds. The borrowed funds were to be repaid with interest from policy premiums. Due to several large flooding disasters that have occurred in recent years, the NFIP has been forced to borrow treasury funds multiple times in order to continue to pay claims. The Act requires that FEMA address these catastrophic losses from Hurricane Katrina and other major disasters that had forced the NFIP to borrow around \$18 billion (not including super-storm Sandy in 2012), and to devise a plan for repayment within ten years. Due to this, lawmakers desired to modify certain aspects of the NFIP and the flood insurance premium structure in order to improve the sustainability of the NFIP in the future.

A goal of the NFIP is to reduce future flood losses by requiring communities that participate in the program to adopt regulations and enforce building requirements within the 1% annual chance floodplain. These requirements are intended to ensure that new development will not be damaged by flooding at the 1% annual chance, or base flood, level. The original program was developed to provide a special allowance for older buildings, such as those constructed before floodplains were mapped and regulations for development were in place. These types of buildings are typically referred to as Pre-Flood Insurance Rate Map (Pre-FIRM) structures, as long as they have not been substantially damaged or improved since their original construction. Insurance policies on Pre-FIRM structures have historically received subsidized premiums of approximately 45% of their actuarial liability, which means policy holders paid less in premiums than they would have if the premiums were based on actual risk of flooding. Claims history has shown that a significant portion of NFIP claims payments have gone to properties covered by these types of subsidized policies.

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Flood Insurance Reform Act of 2012 *(Continued from page 1)*

The Act will revise the way that the NFIP has done business in the past. The Act authorizes premium adjustments of up to 20% per year vs. the previous cap of 10%. It also addresses, more aggressively, subsidized premiums for Pre-FIRM structures. Most Pre-FIRM rates will be increased 25% per year until they are no longer subsidized. Currently, the only exception is certain primary residences that have maintained continuous coverage since before the Act. Additionally, Pre-FIRM residential structures that are not primary residences lost all subsidies effective January 1, 2013. In order to be defined as a primary dwelling, the owner must reside at the property 80% of the policy year. Other Pre-FIRM policy categories that will experience increased premiums during late 2013 include policies for commercial buildings and new residential policies issued on a property for any reason including a change in ownership or a lapse in coverage. Pre-FIRM rates are not available if a structure is substantially damaged or improved.

In addition to subsidized premiums for Pre-FIRM structures, the NFIP has traditionally allowed a process called 'grandfathering.' This process may have applied to certain Post-FIRM buildings that were built in compliance according to the FIRM in effect at the time of construction. Some of these structures may now be in the floodplain or have a higher effective Base Flood Elevation (BFE) due to updates to the information shown on the FIRM. For these types of structures, under grandfathering the insurance rating could be done based on the flood zone or flood elevation in effect at the time the building was constructed. As a result of the reform legislation, grandfathering will be phased out and eventually will no longer be possible. Structures in these situations will have flood insurance rates that are based on the actual risk of flooding, which will be based on the effective flood zones and BFE's at the time the policy is rated.

In summary, due to the Act most Pre-FIRM subsidized rates and grandfathered rates will end for all NFIP policies over the course of the next five years and premiums on flood insurance policies will likely increase at an accelerated rate.

Owners of Pre-FIRM buildings impacted by these changes will have two flood insurance rating options. These include the new Pre-FIRM premium rating structure, or Post-FIRM rating, which is available, if it benefits the policy holder. Post-FIRM rating compares the lowest floor elevation to the BFE and premiums are based on the difference between the lowest floor and the BFE. Post-FIRM rating will require an elevation certificate. When Pre-FIRM subsidies end for a property, Post-FIRM elevation rated premiums for buildings with their lowest floor below BFE may be significantly less than a Pre-FIRM rating which is based on unknown risk. For current policy holders, your insurance agent should have additional information for you at policy renewal.

For more information, see the following resources:

ASFPM summary and implementation timeline of the NFIP Reform Act of 2012:

<http://www.floods.org/index.asp?menuID=651>

For more information on flood insurance reform and insurance rates, see the following resources:

<http://nhma.info/nhma-biggert-article/>

<http://www.fema.gov/national-flood-insurance-program>

<http://www.fema.gov/flood-insurance-manual>

Flood Mitigation – Current Events

By John Callen, P.E., CFM

The Nebraska Department of Natural Resources (DNR) assists National Flood Insurance Program (NFIP) participating communities and other government entities throughout the State with a wide range of flood mitigation activities. These activities include but are not limited to flood mitigation planning assistance and acting to provide technical assistance to communities regarding the NFIP's Community Rating System (CRS) program. Several recent and ongoing activities under both of these categories provide an overview of DNR's role.

Mitigation Planning

The State of Nebraska has a Hazard Mitigation Plan (State HMP) covering all natural hazards that is updated every three years. The current State HMP, adopted in 2011, can be reviewed at <http://www.nema.ne.gov/pdf/hazmitplan.pdf>. These updates are coordinated by the Nebraska Emergency Management Agency (NEMA) and the next update will be in 2014. The State also has a Flood Mitigation Plan that was originally developed by DNR and published in January 2003. Portions of this plan were used as the basis for the flood sections of the 2011 State HMP. The purpose of a Flood Mitigation Plan is to provide a more detailed focus on flooding risks, the assessment of those risks in terms of potential damages, and potential actions to mitigate flooding risks.

DNR is currently in the process of finalizing an update to the State of Nebraska's Flood Mitigation Plan. This document includes updates to the flooding risk assessment data considered by the previous Flood Mitigation Plan. This was accomplished utilizing current flooding risk data as well as coordination with the risk assessments contained in local HMP's produced by communities, counties, and NRDs across the State. The updated plan also includes an overall assessment of the State's flood mitigation programs and their implementation priority, as well as the authorities under which they can be implemented. The overall goal of the plan is to identify and prioritize programmatic flood mitigation activities at the State level. It is anticipated that the updated flood mitigation data and mitigation actions will be incorporated into the flood sections of the next State HMP update. The Flood Mitigation Plan, when finalized, will be posted on DNR's website under the floodplain section at dnr.ne.gov.

In addition to assisting with updates to the State Flood Mitigation Plan or State HMP, DNR provides technical assistance to local authorities with development of local HMP's. DNR can provide expertise and technical assistance related to development of flooding risk assessments and flood mitigation alternatives for a local HMP. DNR may also be able to assist with floodplain mapping or flood insurance related data needed for development of a local plan. If your community requires assistance with flood mitigation planning, please contact us for more information on how DNR can help.

The National Flood Insurance Program's Community Rating System (CRS)

DNR provides technical assistance to communities regarding the NFIP's CRS program. This program is a voluntary program that awards communities that take extra steps in their floodplain management programs to reduce the risk of flooding. Participation in the program provides the opportunity for property owners in the community to obtain discounted flood insurance premiums. Points are awarded for a range of floodplain management activities. Typically, these activities go above and beyond minimum floodplain management requirements.

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However, many CRS activities are minor additional efforts that supplement existing floodplain management activities a community may already be implementing. For example, maintaining correctly completed elevation certificates for new buildings in the floodplain. To become a CRS Class 9 community, 500 points are required. Points are based on activities being completed. Becoming a Class 9 community will provide property owners in the community that have flood insurance with a 5% discount on flood insurance premiums. For each additional 500 points earned, an additional 5% flood insurance premium reduction is obtained. For more information on CRS classes and the potential flood insurance premium reductions, see the following table developed by FEMA.

CREDIT POINTS	CLASS	PREMIUM REDUCTION SFHA*	PREMIUM REDUCTION NON-SFHA**
4,500+	1	45%	10%
4,000 – 4,499	2	40%	10%
3,500 – 3,999	3	35%	10%
3,000 – 3,499	4	30%	10%
2,500 – 2,999	5	25%	10%
2,000 – 2,499	6	20%	10%
1,500 – 1,999	7	15%	5%
1,000 – 1,499	8	10%	5%
500 – 999	9	5%	5%
0 – 499	10	0	0

*Special Flood Hazard Area

**Preferred Risk Policies are available only in B, C, and X Zones for properties that are shown to have a minimal risk of flood damage. The Preferred Risk Policy does not receive premium rate credits under the CRS because it already has a lower premium than other policies. The CRS credit for AR and A99 Zones are based on non-Special Flood Hazard Areas (non-SFHAs) (B, C, and X Zones). Credits are: classes 1-6, 10% and classes 7-9, 5%. Premium reductions are subject to change.

The State of Nebraska currently has six communities that participate in the CRS and DNR is interested in facilitating applications for additional participants. For a typical community, reaching CRS Class 9 may not require much additional effort beyond floodplain management activities that are currently being implemented. Since the State of Nebraska completes certain floodplain management activities and has minimum State standards for floodplain management programs that go beyond FEMA minimum standards, communities in the State will receive a minimum number of credit points based on State activities. Depending on the Natural Resources District (NRD) a community is in, NRD floodplain management activities may also qualify for points. Therefore a community may be able to reach Class 9 or beyond relatively easily.

Joining the CRS will help your community focus on floodplain management activities that are being completed and how those activities can be improved or expanded to reduce flooding risks. In addition, due to the NFIP Reform Act of 2012, it is anticipated that flood

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insurance premiums will increase steadily over the next few years. Joining the CRS will provide the opportunity for property owners to mitigate these increases via the available policy discounts. DNR is available to provide technical assistance with the CRS application process as well as with CRS participation questions.

For more information regarding the CRS program, see the following web sites:

<http://www.fema.gov/national-flood-insurance-program/community-rating-system>

<http://www.crs2012.org/>

Communities interested in participation in the CRS can contact John Callen for more information.

Revised CRS Coordinator's Manual

The NFIP CRS program is currently finalizing a revised CRS Coordinator's manual. This manual is the guidebook for information regarding which floodplain management activities can obtain credit points under the CRS and how that credit is calculated. The updated manual is currently in draft format and is under review. The final manual is anticipated to be released in early spring. In the meantime, the draft is available for review at <http://www.crs2012.org/>. The final version of the updated manual will include some modifications to creditable activities and potential points earned for those activities. For communities that are currently in the CRS, this may lead to an adjustment of the total points being received. For communities considering joining the CRS, this will be the effective manual for the application process.

CRS Training

The week of October 29, 2012, was a busy time here at DNR. Twenty-nine individuals representing 18 communities, government agencies, and the private sector took part in a field deployed class from the Emergency Management Institute (EMI) on the Community Rating System (CRS).

This EMI class (E-278) leads students through the opportunities available and the documentation needed to verify that CRS activities have been performed. Students completed this four-day training with the tools needed to determine areas in their floodplain management programs where they could obtain points, as well as ideas for ways they could modify their current activities to obtain credits toward flood insurance premium reductions for property owners in their communities. CRS training at EMI covers the updated CRS Coordinator's manual. The E-278 class is typically offered multiple times each year. For more information on CRS and other training opportunities at EMI see <http://training.fema.gov/EMI/>.



Mark Your Calendar

Training Opportunities

If you have questions about any of these opportunities, please contact John Callen or Bill Jones.

Upcoming Events

DNR and other FEMA Region VII States will be providing webinars on various floodplain management topics. The first webinar will be on March 7th at 1:00 p.m. Central Time and will be given by DNR. It will cover basic floodplain management and permitting. Signup for the webinars will be facilitated by STARR, a FEMA contractor. You can sign up by going to <http://j.mp/starrwebtraining> and clicking on the upcoming events tab. The training is limited to 30 participants. In addition to this webinar, watch for future webinars, including an offering from FEMA Region VII planned for April 2013 that will cover the Flood Insurance Reform Act of 2012.

DNR is sponsoring a training event that will cover FEMA's Benefit Cost Analysis (BCA) and its application to flood mitigation projects. This class is a field deployed version of EMI's E-276 course and a full description can be found in the course catalog on EMI's web site <http://training.fema.gov/EMI/>. This training requires basic familiarity with FEMA's mitigation programs and the purpose of the BCA process. It also requires knowledge of basic math and ability to use a computer to run the BCA software. It will cover the recently released BCA v4.8 software and participants will be required to provide a computer with the BCA software installed. For more information on FEMA's BCA software, see <http://www.fema.gov/benefit-cost-analysis>. The two-day training is scheduled for April 30th – May 1st at the Papio NRD in Omaha; for more information on the NRD's location see www.papionrd.org. The training is limited to 20 participants. If you are interested in signing up for this training, please contact John Callen.

The Nebraska Floodplain and Stormwater Managers Association (NeFSMA) holds meetings throughout the year covering a range of floodplain and stormwater management topics. The 2013 NeFSMA Annual Conference will be held on July 11, 2013, at the Lied Lodge and Conference Center in Nebraska City. There will be presentations covering various floodplain management topics. For more information about NeFSMA, including contact details, see <http://www.nefsma.com/>.

It is anticipated that CFM CEC's will be available for attendees of these training events.

Other Training Resources

Online Training Resources

- ✓ In addition to the webinars given by DNR and other FEMA Region VII States, STARR provides webinars periodically on basic floodplain management topics. A schedule of these webinars and the sign-up process can be accessed by following this link and clicking the 'Upcoming' tab:
 - <http://j.mp/starrwebtraining>
- ✓ The NFIP funded the development of a series of online training videos that discuss the elevation certificate. These videos can be found at:
 - <http://www.h2opartnersusa.com/ec-made-ez/>
- ✓ The DNR floodplain section website has a wide variety of tools and information for floodplain managers, including an interactive floodplain map. The site can be reached by going to dnr.ne.gov and clicking on 'Floodplain.' Please note that the DNR website is currently undergoing re-design and the new version is anticipated for late summer 2013. However, the primary web site address will remain unchanged.

Ongoing Training Opportunities

Training opportunities at the Emergency Management Institute in Maryland cover a wide range of floodplain management topics from basic to advanced. Transportation to EMI and on-campus housing costs (except meals) are typically covered for government officials, which makes EMI a very low-cost training opportunity. For new floodplain managers, an introductory class under course number E-273 called 'Managing Development through the NFIP' provides beneficial information. For more information on EMI and available courses, see <http://training.fema.gov/EMI/>.

DNR has a physical floodplain model that can be used to demonstrate the impacts of flooding. DNR staff is available to demonstrate the model at local events or at local schools. The presentations can be tailored to all age levels. In the September 2012 Floodplain Management Today newsletter, DNR provided a detailed description of the flood model. For more information regarding the floodplain model, see the September 2012 newsletter at <http://dnr.ne.gov/floodplain/floodplain.html>. If you are interested in scheduling a presentation, please contact John Callen.



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WANT MORE INFORMATION?



Visit DNR's Floodplain Website at
<http://dnr.ne.gov/floodplain/floodplain.html>

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